



AGENDA DATE: 8/28/00  
AGENDA ITEM: 3A

**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
*Two Gateway Center*  
*Newark, NJ 07102*

IN THE MATTER OF THE PETITION OF PUBLIC )  
SERVICE ELECTRIC AND GAS COMPANY FOR )  
AUTHORITY THROUGH DECEMBER 31, 2001 (1) )  
TO EXECUTE AND DELIVER PURSUANT TO )  
N.J.S.A. 48:3-7 ONE OR MORE INDENTURES OR )  
SUPPLEMENTAL INDENTURES PROVIDING FOR )  
ISSUANCE OF ITS MORTGAGE BONDS, )  
DEBENTURE BONDS, MTNs NOTES AND/OR )  
OTHER DEBT INSTRUMENTS IN ONE OR MORE )  
SERIES HAVING A MATURITY GREATER THAN )  
ONE YEAR BUT NOT GREATER THAN THREE )  
YEARS; AND (2) TO ISSUE AND SELL PURSUANT )  
TO N.J.S.A. 48:3-9, NEW LONG-TERM DEBT )  
SECURITIES IN AGGREGATE PRINCIPAL )  
AMOUNT NOT TO EXCEED \$1.0 BILLION TO )  
COVER PRINCIPAL, PREMIUMS AND EXPENSES )  
INCURRED IN THE PURCHASE, REDEMPTION OR )  
PAYMENT AT MATURITY OF ITS OUTSTANDING )  
LONG-TERM DEBT SECURITIES )

ORDER AUTHORIZING EXECUTION  
OF (SUPPLEMENTAL) INDENTURES AND  
ISSUANCE AND SALE OF NEW LONG-  
TERM DEBT SECURITIES.

DOCKET NO.: EF 00070495

James T. Foran, General Corporate Counsel for Public Service Electric & Gas

Fred S. Grygiel, Chief Economist, Mark C. Beyer, Manager for the Office of the  
Economist on behalf of the Staff of the Board of Public Utilities

BY THE BOARD:

Public Service Electric and Gas Company (the "Petitioner"), a public utility of the State of New Jersey, by Petition filed July 28, 2000, has requested authority through December 31, 2001: (1) to execute and deliver pursuant to N.J.S.A. 48:3-7 one or more indentures or supplemental indentures providing for issuance of its Mortgage Bonds, Debenture Bonds, Medium Term Notes (MTNs), Notes and/or other debt instruments in one or more series having a maturity greater than one year but not greater than three years; and (2) to issue and sell pursuant to N.J.S.A. 48:3-9, New Long-Term Debt Securities in aggregate principal amount not to exceed \$1.0 Billion to cover principal, premiums and expenses incurred in the purchase, redemption or payment at maturity of its Outstanding Long-Term Debt Securities.

Petitioner has indicated that, pursuant to this Board's Final Orders dated August 24, 1999 in Docket Nos. E097070461, E097070462 and E097070463 and September 17, 1999 in Docket No. EF99060390 (the "Orders") which approved and required, among other things, the sale of bondable transition property in connection with the recovery of bondable stranded costs ("Securitization"), the transfer of Petitioner's generation assets and business and reduction in Petitioner's outstanding debt and equity, it has, in anticipation of the completion of Securitization and the other actions contemplated by the Orders, acquired through open market purchases, redemptions and/or at maturity approximately \$1.045 Billion of its Long-Term Debt and has incurred Short-Term Debt for such purposes. Petitioner requests authority, at any time through December 31, 2001, to issue and sell, in one or more series, its Mortgage Bonds (the "New Bonds") and/or MTNs (the "New MTNs") and/or Debenture Bonds (the "New Debentures") and/or Notes (the "New Notes") and/or other debt instruments or evidences of indebtedness (collectively, the "New Long-Term Debt Securities"), in aggregate principal amount not to exceed \$1.0 Billion to reimburse itself for the amounts incurred to acquire Outstanding Long-Term Debt Securities in anticipation of the completion of Securitization and, in connection therewith, to execute and deliver such related ancillary documents as may be necessary.

Petitioner has requested that this Board grant the approval requested herein in the form of a "one order" approach, including one or more MTN Programs, multi-mode programs, extendible note programs or other structured/negotiated transactions. Petitioner has proposed that it issue and sell the New Long-Term Debt Securities on a competitive basis without further order of this Board if, pursuant to public invitations, at least three independent bids for the purchase of the New Long-Term Debt Securities are received, and Petitioner accepts the bid which produces the lowest annual cost of money. Petitioner has further proposed that it issue and sell MTNs as described below, and New Long-Term Debt Securities pursuant to multi-mode programs, extendible note programs and/or structured/negotiated transactions as described below, without further order of this Board.

Petitioner has stated that MTNs would be issued in one or more series through two or more agents with maturities of from one to three years and with various specified conditions including redemption provisions. Secured MTNs will be secured with a global bond that will be a series of Mortgage Bonds or a global New Bond. MTNs will be sold at 100% of principal amount or at a discount. Secured MTNs will be issued pursuant to the Indenture of Trust dated as of July 1, 1993 between Petitioner and The Chase Manhattan Bank, as Trustee, providing for the issuance of MTNs in one or more series from time to time without limit as may be supplemented by supplemental indentures thereto. Unsecured MTNs will be issued pursuant to an indenture between Petitioner and a trustee to be selected by it, providing for the issuance of one or more series from time to time without limit as may be supplemented by supplemental indentures thereto. The interest rate to be borne by the MTNs would be set at a maximum coupon spread over U.S. Treasury securities provided in a market yield spread table set forth below:

**MARKET YIELD SPREAD TABLE**

<b>Range of Maturities</b>	<b>Maximum Coupon Spread Over U.S. Treasury Securities (Basis Points)</b>
1 Yr. To less than 18 Mos.	85
18 Mos. To less than 2 Yrs.	105
2 Yrs. To less than 3 Yrs.	115
3 Yrs. To less than 4 Yrs.	125

In order to provide it with the opportunity to take advantage of innovative financing techniques permitting it to advantageously manage its cost of capital and meet competitive conditions, Petitioner has requested authority, as appropriate market opportunities arise, to issue and/or sell New Long-Term Debt Securities, in one or more structured and/or negotiated transactions, including domestic and/or non-U.S. public sales, private placements, loans, swaps, puts, calls, multi-mode programs, extendible note programs or other structure or means ("Structured Transactions") or guarantee or provide other credit support of Structured Transactions entered into by special purpose entities for the benefit of Petitioner. In connection therewith, Petitioner would utilize one or more agents, dealers and/or managers selected by it. The exact type(s) and terms of Structured Transactions cannot be determined at this time, as they will be dependent upon market and other conditions beyond Petitioner's control. Petitioner has stated that the cost to Petitioner for the instrument chosen would be the lowest obtainable which in the judgment of Petitioner would allow issue and/or sale of the New Long-Term Debt Securities in a financially advantageous manner.

New Long-Term Debt Securities will be sold to the public pursuant to one or more registration statements filed with the Securities and Exchange Commission (the "SEC") or in compliance with the SEC's rules for sales of securities without registration. Petitioner has requested that New Long-Term Debt Securities be sold without further approval by this Board in accordance with the procedures proposed by it, as set forth herein. Petitioner has stated that the flexibility of such procedures afford to it the opportunity to take advantage of favorable market conditions.

The timing and transaction with respect to each issuance and/or sale of the New Long-Term Debt Securities, the price to be paid to Petitioner, the rate of interest, maturity, redemption provisions and prices and the type, terms and conditions of the New Long-Term Debt Securities have not yet been determined. Such determination will depend upon the market conditions at the time of issuance and sale. Depending upon the then prevailing market conditions, such New Long-Term Debt Securities will have maturities of up to three years, may include conventional, floating rate, put, call, remarketed, swaps, options or other terms and conditions and consist of one or more of the types of securities, instruments or evidences of indebtedness and be issued and/or sold pursuant to one or more of the transactions as set forth herein.

The New Bonds, including each global New Bond, if any, issued to service and secure MTNs, are to be issued under the First and Refunding Mortgage dated August 1, 1924, from Petitioner to First Union National Bank, (formerly Fidelity Union Trust Company), as supplemented and amended and as to be supplemented by a Supplemental Indenture for each series of the New Bonds to be dated the first day of the month of issuance

and sale of the New Bonds. Said First and Refunding Mortgage is a first lien on substantially all the property and franchises of Petitioner, now owned or hereafter acquired. The terms and conditions for the Supplemental Indenture for each series will be determined prior to the issuance of each series. As described above, the MTNs are to be issued under the Indenture of Trust dated as of July 1, 1993 between Petitioner and The Chase Manhattan Bank, or, if necessary, a supplemental indenture thereto, or under a new indenture to be entered into between Petitioner and a trustee to be selected by it.

The New Debentures will be issued pursuant to one or more indentures and one or more supplemental indentures thereto to be entered into between the Petitioner and a trustee, and would be unsecured obligations of the Petitioner.

The New Notes will be issued pursuant to one or more loan agreements and would also be unsecured obligations of the Petitioner.

In connection with the issuance of any New Long-Term Debt Security pursuant to a Structured Transaction, Petitioner may enter into related ancillary documents.

Petitioner has stated that the purpose of the issuance of the New Long-Term Debt Securities is to repay short-term debt incurred to fund the refunding, redemption, maturity, defeasance or purchase of the Outstanding Long-Term Debt Securities, in anticipation of Securitization including the payment of the required premiums and other expenses therefore. The proceeds from the sale of New Long-Term Debt Securities will be added to the general funds of the Petitioner and will then be applied as follows: (i) to reimburse Petitioner's treasury for internally generated funds used for the payment, refunding, redemption, defeasance, payment at maturity or purchase of the Outstanding Long-Term Debt Securities and any required premiums and other expenses therefore; (ii) to repay short-term debt incurred for such purposes; and (iii) to provide for the retirement of the Outstanding Long-Term Debt Securities at or before maturity.

This Board, after investigation, having considered the record and exhibits submitted in this proceeding, being satisfied with the actions proposed to be taken by Petitioner as indicated above and finding that the transactions are to be made in accordance with law and are in the public interest, and approving the purposes thereof, HEREBY ORDERS that Petitioner be and is HEREBY AUTHORIZED, from time to time through December 31, 2001: (1) to execute and deliver pursuant to N.J.S.A. 48:3-7 one or more indentures or supplemental indentures providing for issuance of its Mortgage Bonds, Debenture Bonds, MTNs, Notes and/or other debt instruments in one or more series having a maturity greater than one year but not greater than three years; and (2) to issue and sell pursuant to N.J.S.A. 48:3-9, New Long-Term Debt Securities (as defined herein) in aggregate principal not to exceed \$1.0 billion to cover principal, premiums and expenses incurred in the purchase, redemption or payment at maturity of its Outstanding Long-Term Debt Securities.

This Order is issued subject to the following provisions:

- (1) Petitioner will issue the New Long-Term Debt Securities in compliance with this Order.
- (2) With respect to each issue and sale of New Long-Term Debt Securities through competitive bidding, Petitioner shall provide this Board with the following material

for informational purposes, as soon as it is available, and in no event later than 24 hours prior to the time for the receipt of bids (which materials may be provided by mail or by facsimile transmission and confirmed by mail): (a) a statement with respect to the bidding for the New Long-Term Debt Securities which shall specify (i) the date and time for the receipt of bids for the New Long-Term Debt Securities, (ii) the principal amount of the New Long-Term Debt Securities, (iii) the series designation of the New Long-Term Debt Securities, (iv) the minimum and maximum percentage of principal amount which may be specified in the bid as the purchase price for the New Long-Term Debt Securities, (v) the term of the New Long-Term Debt Securities, (vi) the terms and conditions upon which the New Long-Term Debt Securities may be redeemed, whether at the option of the Petitioner, pursuant to any sinking or improvement fund for the New Long-Term Debt Securities, or otherwise, and (vii) such other provisions as may be established by Petitioner with respect to the terms and conditions of the New Long-Term Debt Securities and the bidding therefore; and (b) an assessment of the then current financial markets applicable to the New Long-Term Debt Securities which shall include (i) data with respect to recent sales of comparable bonds of other utilities, (ii) data with respect to current yield on certain outstanding Mortgage Bonds of Petitioner, (iii) interest rate spreads between United States Treasury Bonds and comparable utility bonds, (iv) the anticipated number of bidders for the New Long-Term Debt Securities, (v) the anticipated range of the yield of the New Long-Term Debt Securities based upon current market conditions, and (vi) such other information as Petitioner shall deem relevant to assess the expected sale for the New Long-Term Debt Securities and the reasonableness of the annual cost of money rate thereof.

- (3) If, pursuant to competitive bidding procedures, (a) at least three independent bids for the purchase of New Long-Term Debt Securities are received and (b) Petitioner accepts the bid which produces the lowest annual cost of money, Petitioner may, without further Order of the Board, issue and sell the New Long-Term Debt Securities in accordance with the terms and conditions contained in such accepted bid. However, if only one or two bids are received for the New Long-Term Debt Securities, or if Petitioner proposes to accept the bid which does not produce the lowest annual cost of money, the proposed issuance and sale of the New Long-Term Debt Securities shall not be consummated until a further Order of the Board authorizing such issuance and sale has been entered.
- (4) Petitioner shall furnish this Board, in writing as soon as practicable after accepting the bid for the New Long-Term Debt Securities, the names of all principal bidders or group representatives together with the interest rate, the annual cost of money to Petitioner, the price to the public, the percentage yield and the price to Petitioner applicable to each bid.
- (5) Petitioner shall not issue MTNs at coupon rates in excess of the Maximum Yield Spread Table set forth above. In the event that market conditions change, Petitioner may file an updated market yield spread table with this Board's Chief Economist for approval. Any such updated market yield spread table submitted by Petitioner for approval of the Chief Economist shall be accompanied by Petitioner's statement of the basis or rationale therefore.

- (6) Petitioner shall telephonically notify this Board's Chief Economist prior to its issuance of MTNs, and will supply the following, for informational purposes only: (i) principal amount or amounts of the MTNs proposed to be sold; (ii) anticipated maturity ranges; (iii) actual current yields of U.S. Treasury securities; (iv) range of estimated coupon spreads over U.S. Treasury Securities; (v) data, as available, with respect to recent sales of comparable MTNs of other utilities; and (vi) such other information as Petitioner shall deem relevant to assess the reasonableness of the expected sale of the MTNs. Further, within seven business days after the issuance and sale of any MTNs, Petitioner will provide the Chief Economist with such information as was available at the time of sale upon which Petitioner based its decision to sell, such as market data with respect to utilities with similar credit ratings that have issued comparable securities.
- (7) Petitioner shall, as promptly as is practicable following the end of each month during which the MTNs are sold, file with this Board a statement which shall set forth the MTN transactions concluded during such month including the names of the agents and their offers. Such statement shall also set forth (a) the principal amount, maturity date, redemption provisions, commissions and the interest rate spread over comparable U.S. Treasury securities for any MTNs sold and (b) the principal amount of the Petitioner's New Long-Term Debt Securities remaining authorized for issuance and sale in this Docket.
- (8) With respect to any series of New Long-Term Debt Securities to be issued pursuant to a multi-mode program, an extendible note program and/or Structured Transaction, Petitioner shall furnish this Board, in writing at least 24 hours prior to issuance, for informational purposes, the following data (a) with respect to the New Long-Term Debt Securities: (i) the principal amount of the New Long-Term Debt Securities; (ii) the series designation of the New Long-Term Debt Securities, (iii) the anticipated maturity ranges, (iv) the term of the New Long-Term Debt Securities, (v) the terms and conditions upon which the New Long-Term Debt Securities may be redeemed, and (vi) such other provisions with respect to the New Long-Term Debt Securities as the Petitioner may deem to be material; and (b) with respect to the Structured Transaction: (i) the identity of any agent/dealer/manager and (ii) a description of the proposed program/transaction.
- (9) Petitioner shall, as promptly as is practical following the end of each quarter during which the Structured Transaction securities are sold, file with this Board a statement which shall set forth the Structured Transaction concluded during such quarter. Such statement shall also set forth (a) the principal amount, maturity date, redemption provisions, commissions and the interest rate for any Structured Transaction securities sold and (b) the principal amount of Structured Transaction securities scheduled for maturity during the following quarter.
- (10) Petitioner shall issue the New Long-Term Debt Securities solely for the purposes authorized in this Order. To the extent that the proceeds of the sale of any series of New Long-Term Debt Securities authorized hereby is used to acquire any of Petitioner's then Outstanding Long-Term Debt Securities prior to maturity, such acquisition must be accomplished on a cost saving basis.

- (11) Petitioner shall furnish this Board with copies of each Indenture and/or Supplemental Indenture, as executed.
- (12) Petitioner shall furnish this Board with copies of all documents as executed and filed with other regulatory agencies relating to the New Long-Term Debt Securities.
- (13) Petitioner shall semiannually file with this Board, a statement setting forth: (a) the amount of New Long-Term Debt Securities issued, and (b) details with respect to the disbursement of proceeds.
- (14) This order shall not be construed as a certification that the securities authorized to be offered for sale will be represented by tangible or intangible assets of commensurate value or investment costs.
- (15) This Order shall not affect nor in any way limit the exercise of the authority of this Board, or of this State, in any future petition or in any proceeding with respect to rates, franchises, services, financing, capitalization, depreciation, or any other matters affecting the Petitioner.
- (16) This Order shall not be construed as directly or indirectly fixing, for any purpose whatsoever, any value of the tangible or intangible assets now owned or hereafter to be owned by Petitioner.
- (17) The authority granted in this Order shall become null and void and of no effect with respect to any portion thereof which is not exercised by December 31, 2001.

DATED: August 29, 2000

BOARD OF PUBLIC UTILITIES  
BY:

[SIGNED]  
HERBERT H. TATE  
PRESIDENT

[SIGNED]  
CARMEN J. ARMENTI  
COMMISSIONER

[SIGNED]  
FREDERICK F. BUTLER  
COMMISSIONER

ATTEST: [SIGNED]  
FRANCES L. SMITH  
SECRETARY